



9M2013 Financial result
Management Presentation
29 November, 2013



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2. Market positioning
3. Investment projects update
4. Financial results

Appendix: financial snapshot



1. Avangard at a glance



1.1. Avangard's overview

#1 egg / dry egg products producer in Ukraine*

- 57% share in the industrial production of shell eggs in 9M2013
- 91% share in the production of dry egg products in 9M2013
- 90% share in export of eggs and dry egg products from Ukraine in 9M2013

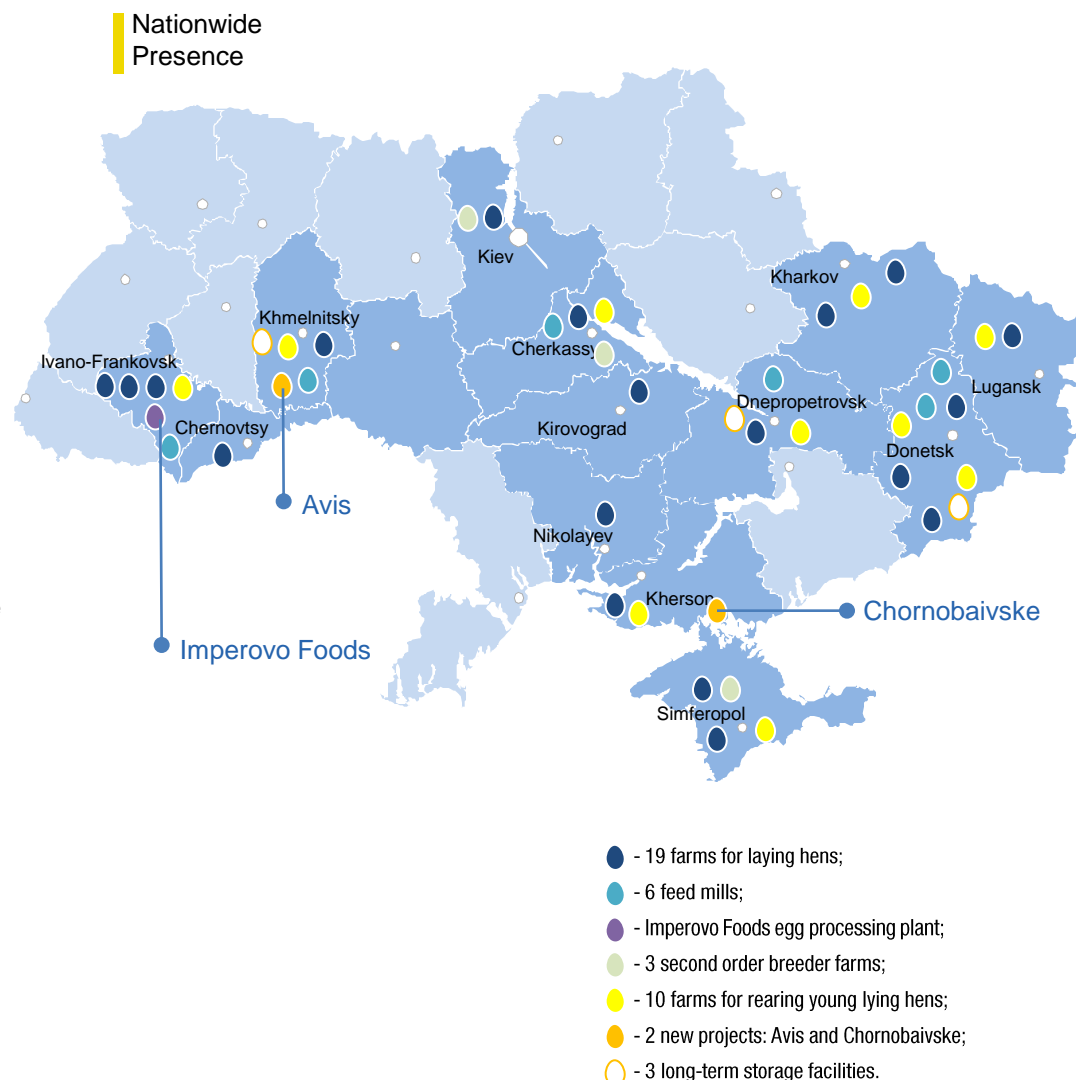
Investment projects update

- Greenfield Avis and Chornobaivske complexes and Imperovo are on schedule
- Rearing sites at new complexes are capable of operating at full capacity of 5.045 mln hens
- Stage 2 of industrial laying hens sites are in progress
- Current total capacity of industrial sites at new complexes is 9.192 mln hens of 11.184 mln hens
- Avis fodder mill complex is at stage of the final works for installation of equipment and the start-up works, that will be completed by the end of the year
- Production sites are fully compliant with European standards
- Actual utilization of the sites corresponds to the operational plans of the Company

Distribution and Sales

- Shell eggs are sold for export as well as to domestic wholesale and retail customers with increasing share of export and retail chains
- Export to 33 countries
- Export constituted 28% of the total revenue of the Company in 9M2013
- Currently shell eggs are exported primarily to the Middle East, Asia, Africa and CIS
- The Company supplies its “Kvochka” – branded products to 16 national and 12 regional retail chains in Ukraine

*According to data from SSCU, Pro-Consulting



1.2. Strong Operational and Financial Performance in 9M2013

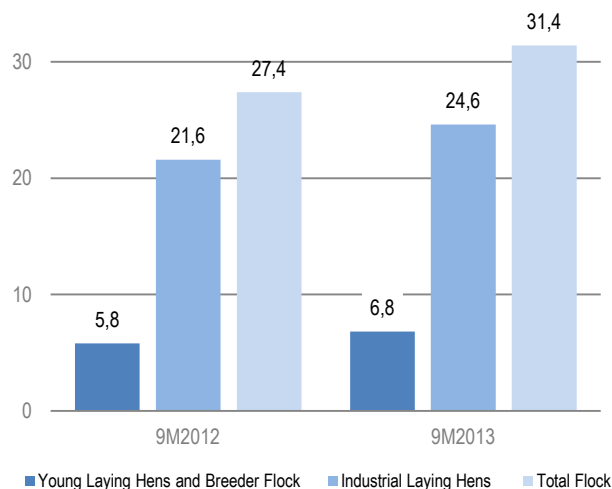
Operational Performance

- Shell eggs production (+9.2%): **5.1 bln pcs** in 9M2013 vs. 4.7 bln pcs in 9M2012
- Sales to third parties (-3.5%): **3.7 bln pcs** in 9M2013 vs. 3.9 bln pcs in 9M2012
- Average selling shell eggs price (0%): **0.65 UAH (excl. VAT)** in 9M2013 vs. 0.65 UAH (excl. VAT) in 9M2012
- Average selling egg products price(+2.0%): **7.61 \$/kg** in 9M2013 vs. 7.46 \$/kg in 9M2012
- Export sales of eggs and egg products (+87%): **\$130m** in 9M2013 vs. \$69m in 9M2012
- Total flock (+14.5%): **31.4 mln heads** as at 30 Sept. 2013 vs. 27.4 mln heads as at 30 Sept. 2012
- **41%** of total flock as at 30 Sept. 2013 was placed at new complexes (**37%** of laying hens flock)

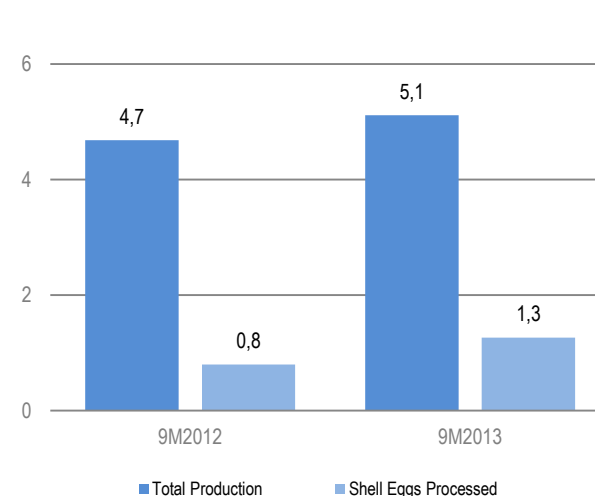
Financial Performance

- Revenue (+4.7%): **\$466.5m** in 9M2013 vs. \$445.8m in 9M2012
- EBITDA (+5.7%): **\$205.0m** in 9M2013 vs. \$194.0m in 9M2012
- EBITDA margin (+0.4%): **43.9%** in 9M2013 vs. 43.5% in 9M2012
- Total debt/LTM EBITDA: 1.1

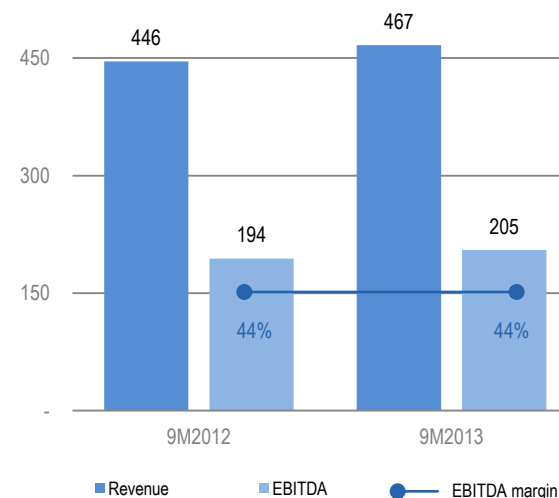
Total flock, mln heads*



Production of Shell Eggs and Egg Products in egg equivalent, bln pcs



Key Financial Indicators, USD mln

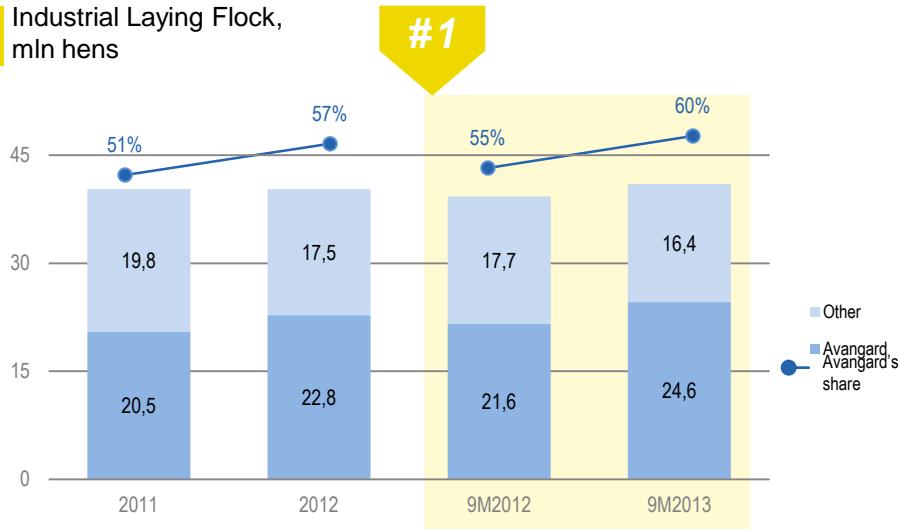




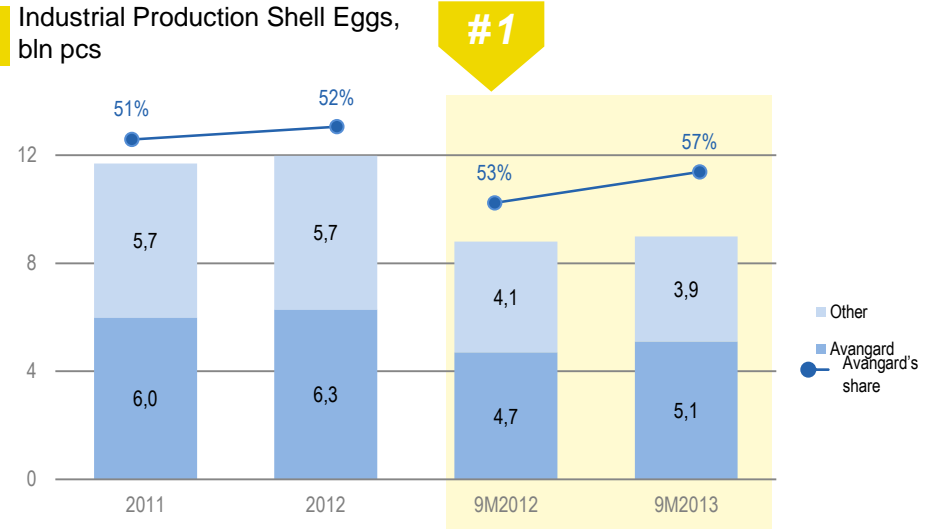
2. Market positioning

2.1. Industry leader

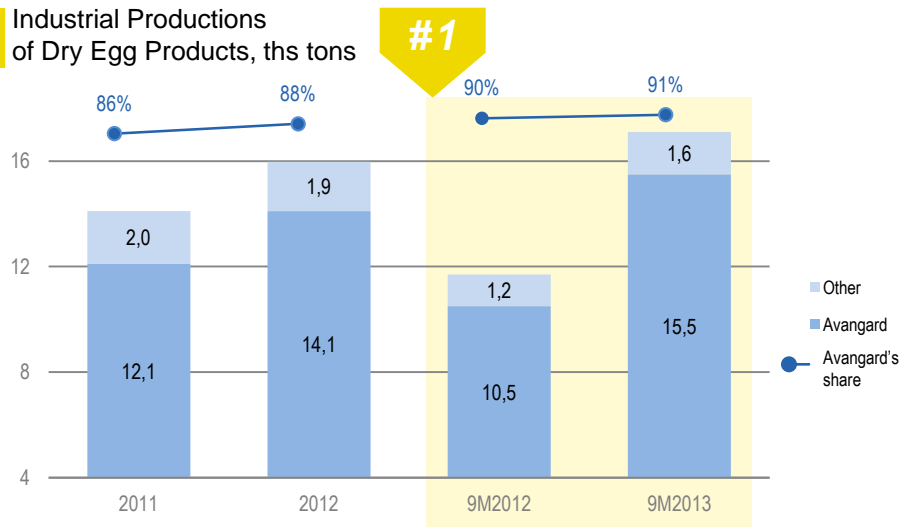
Industrial Laying Flock, mln hens



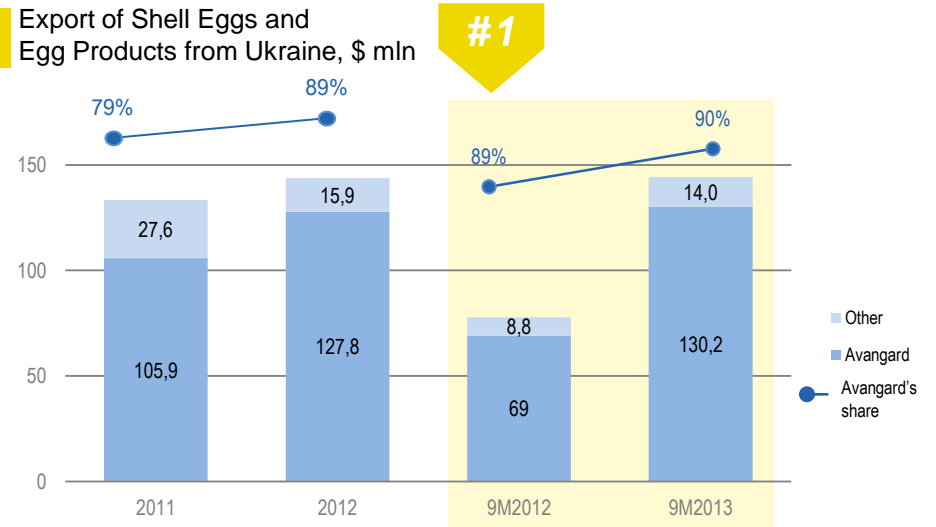
Industrial Production Shell Eggs, bln pcs



Industrial Productions of Dry Egg Products, ths tons



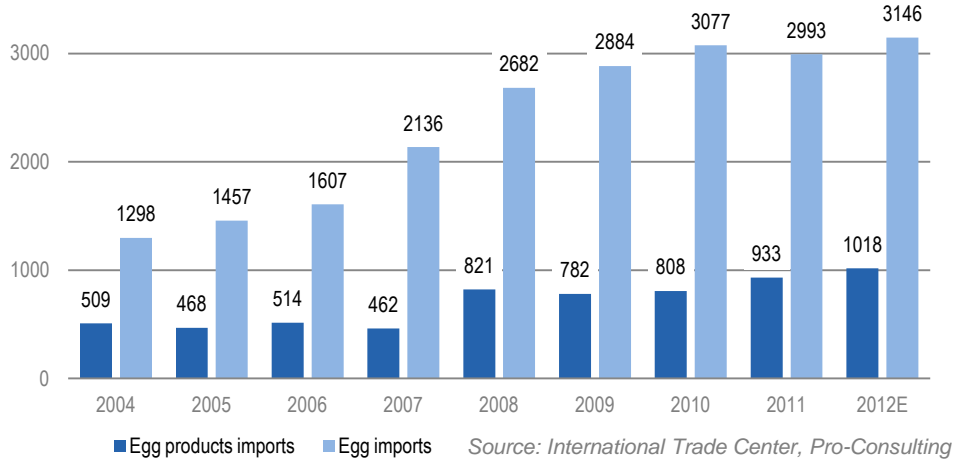
Export of Shell Eggs and Egg Products from Ukraine, \$ mln



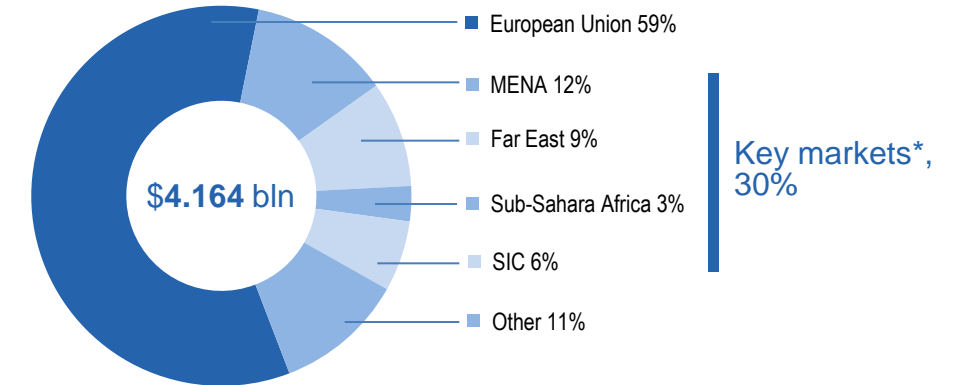
* Source: Pro-Consulting, Avangard's Data

2.2. Strong market fundamentals: world

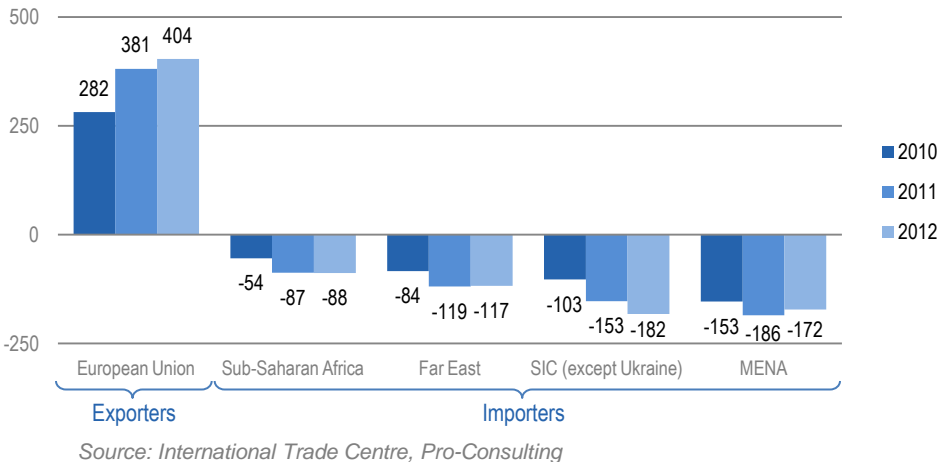
World Imports of Eggs and Egg Products, \$ mln



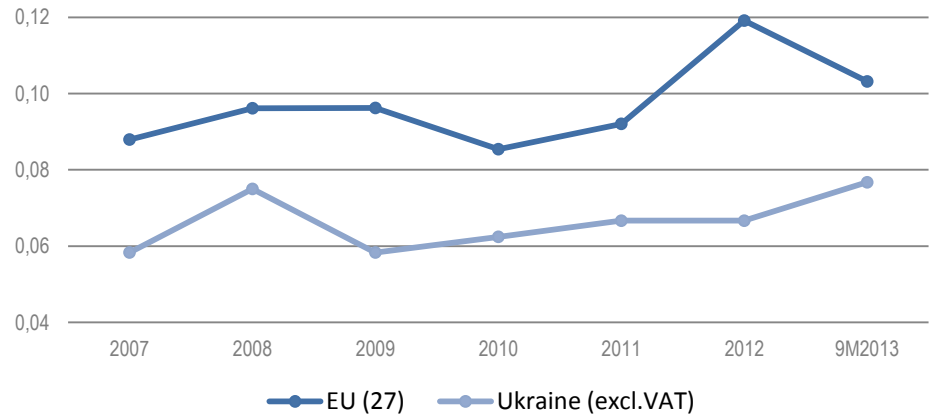
Structure of World Imports of Eggs and Egg Products in 2012E, \$ mln



Trade balance of the most active regions in the eggs and egg products trade, \$ mln



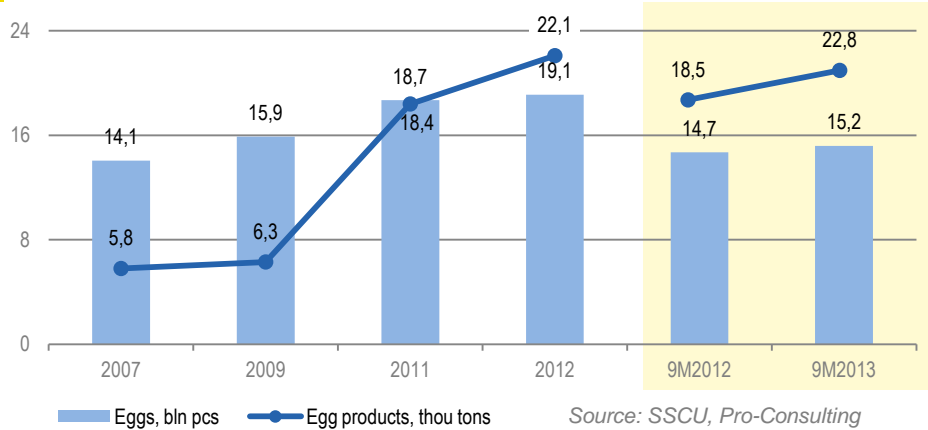
Average Domestic Price of Eggs in EU and Ukraine, \$/egg



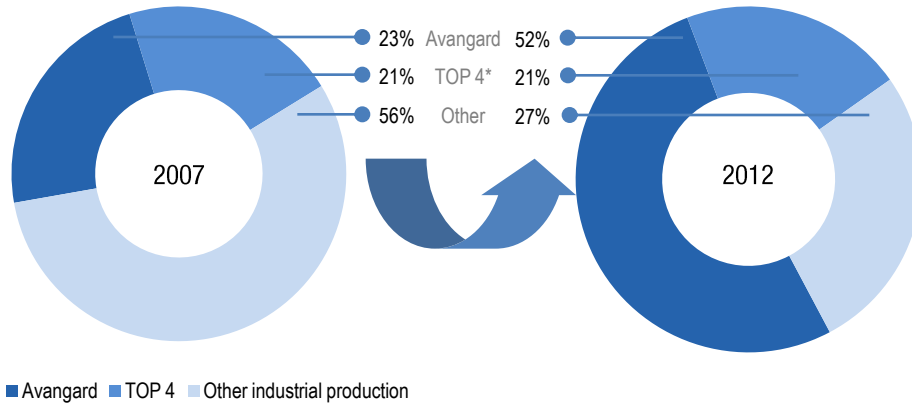
Emergence of middle class in MENA and Asia will further drive consumption of eggs/egg products in the region

2.3. Strong market fundamentals: Ukraine

Eggs and Egg Products Production in Ukraine



Industry Consolidation

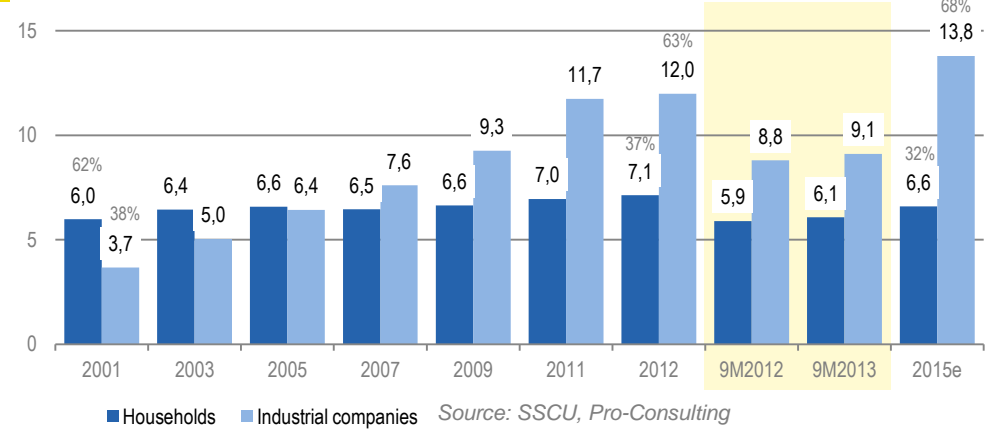


*Top 4: Inter-Agrosystem, Ovostar, Landgut Ukraine, Agrofirma Berezanskaya PF

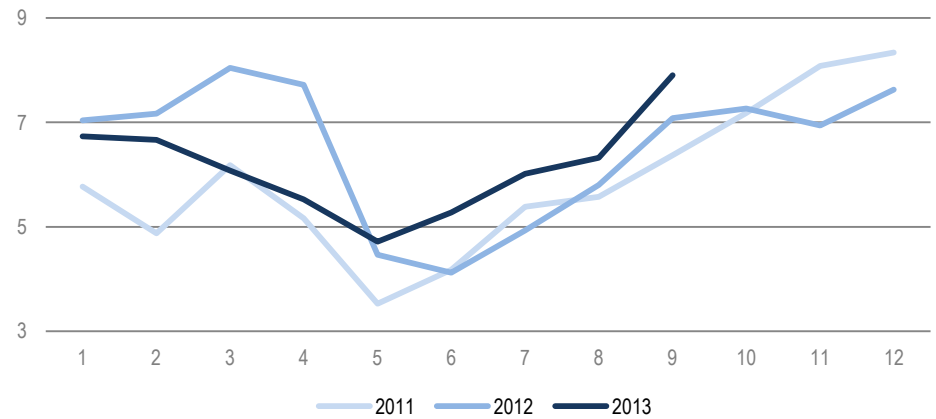
Source: Pro-Consulting, Company data

Market consolidation will drive further price increases

Households vs Industrial Companies, bln pcs



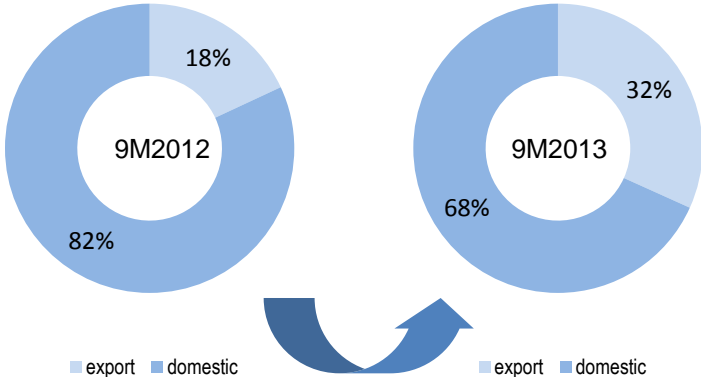
Egg price in Ukraine, UAH / 10 pcs



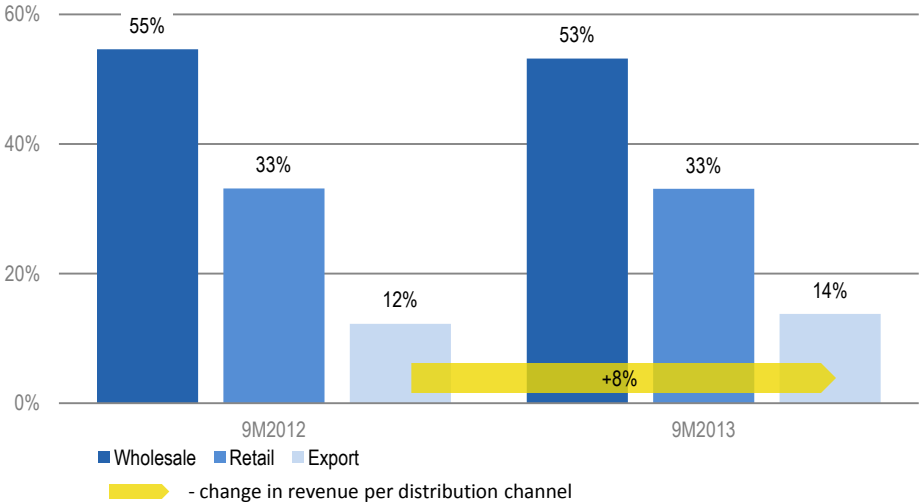
2.4. Diversified Sales Structure

- Increase of export in total sales
- Growing focus on retail sales of shell eggs
- Export strategy aimed to expand sales:
 - ✓ Eggs – MENA, CIS;
 - ✓ Egg Products – Middle East, Asia

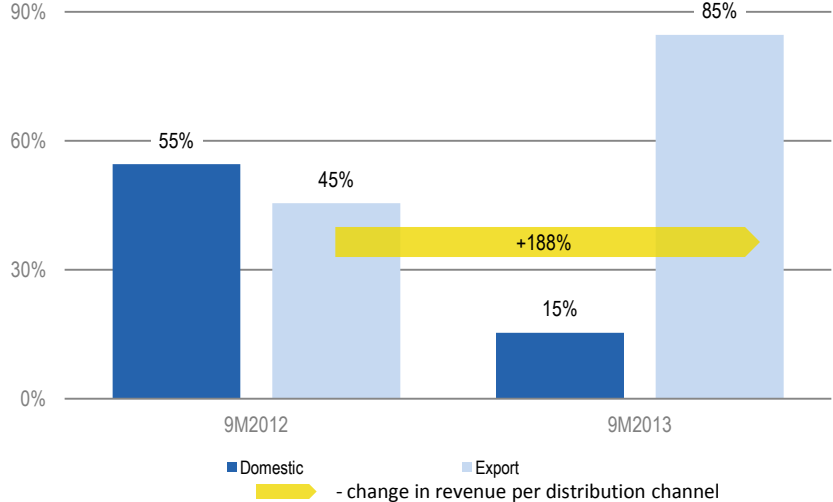
Sales Structure of Eggs and Egg product, % of Revenue



Eggs Sales Channels, % of Revenue



Egg Products Sales Channels, % of Revenue



2.5. Diversified Sales Structure

**2009-2011:
20 markets**

- Armenia
- Azerbaijan
- Georgia
- Hong Kong
- Indonesia
- Iraq
- Jordan
- Kazakhstan
- Kuwait
- Moldova
- Oman
- Pakistan
- Saudi Arabia
- South Korea
- Syria
- Thailand
- Turkey
- Turkmenistan
- UAE
- Vietnam

**2012:
12 markets**

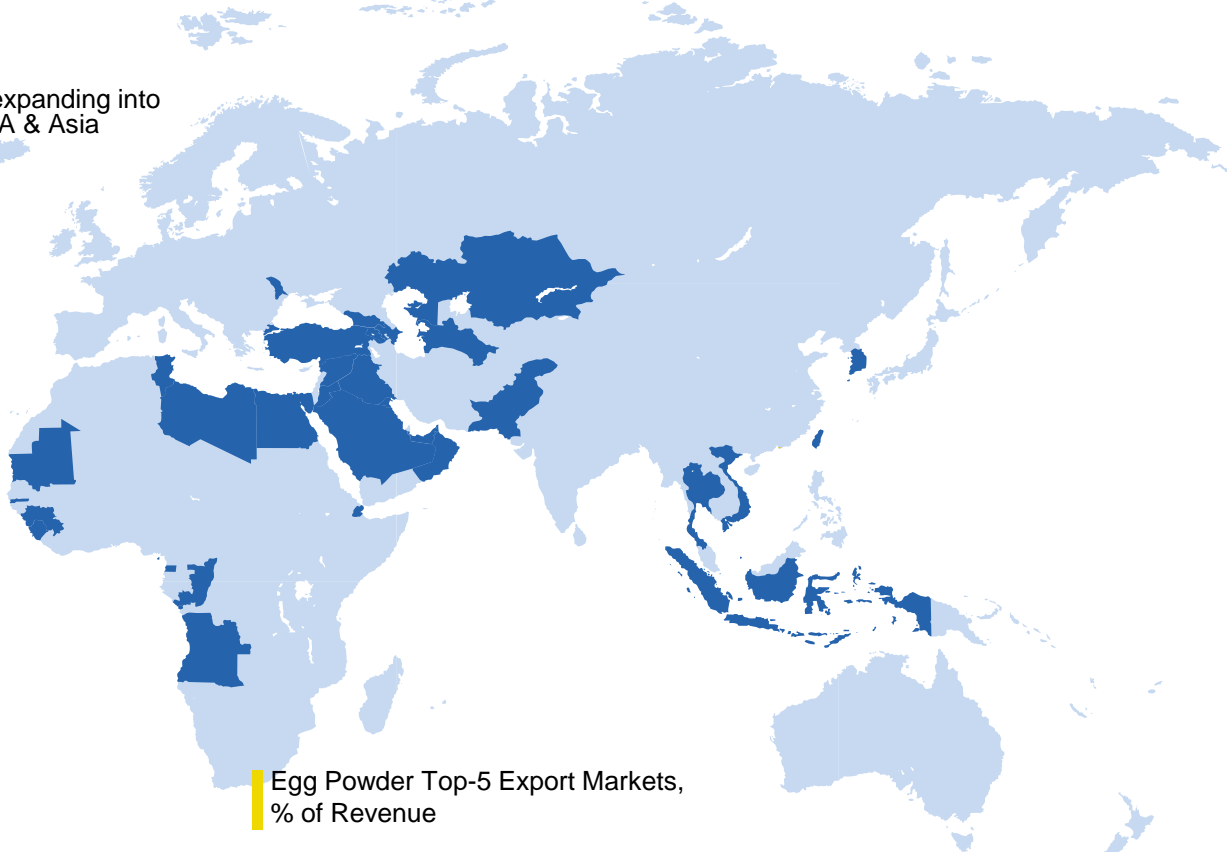
- Angola
- Egypt
- Gambia
- Liberia
- Libya
- Mauritania
- Republic of Djibouti
- Taiwan
- Tunisia
- Congo
- Sierra Leone
- Equatorial Guinea

**1H2013:
1 market**

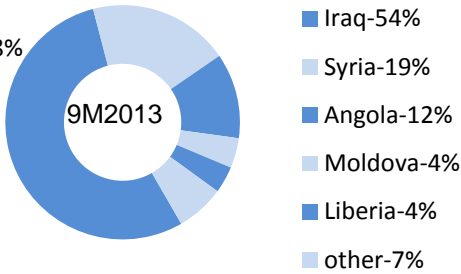
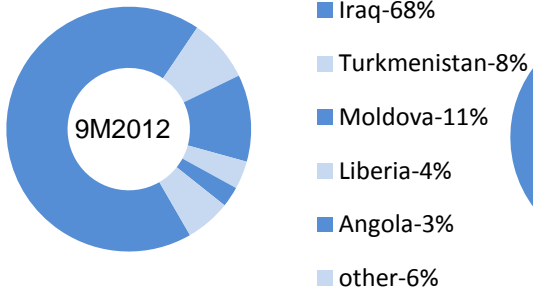
- Guinea Bissau

**2009-9M2013:
33 markets**

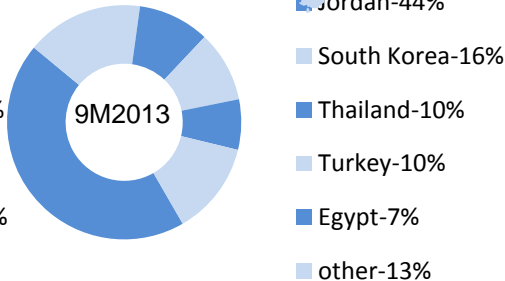
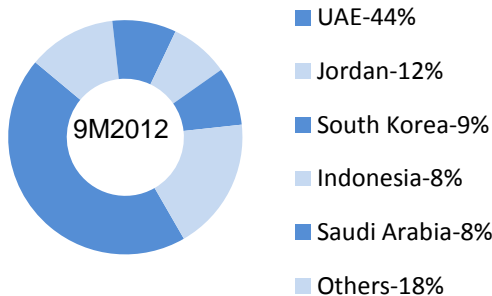
Export strategy – expanding into key markets: MENA & Asia



Eggs Top-5 Export Markets, % of Revenue



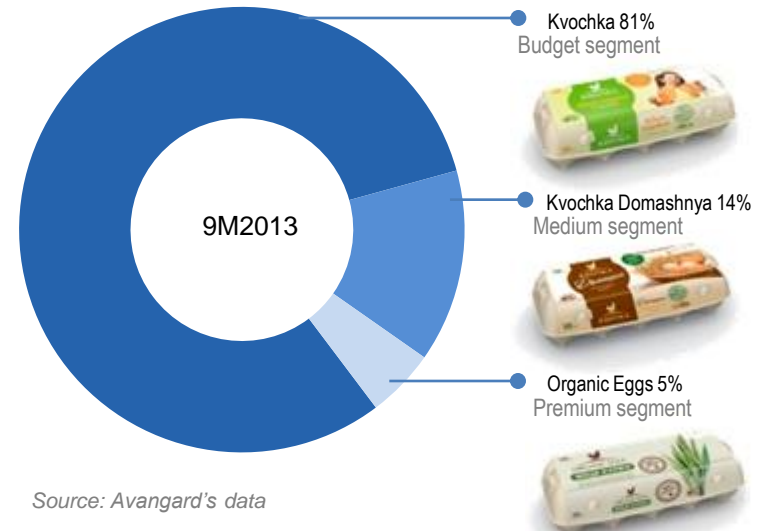
Egg Powder Top-5 Export Markets, % of Revenue



2.6. Development of branded product line

- The Company sells non-branded and branded shell eggs in the main retail chains in Ukraine
- Packaged shell eggs under the “Kvochka” umbrella brand are represented in the most popular consumer price segments
- The Company reached an agreement to supply shell eggs to the retail chain “NOVUS”
- Currently the Company supplies its “Kvochka” – branded products to 16 national and 12 regional retail chains in Ukraine
- In 9M2013 the Company sold 32.9 mln pieces packaged eggs under the umbrella brand “Kvochka”, which was 30% higher compared to the 9M2013.

Sales of Packaged Shell Eggs,
9M2013



Top-10 key accounts: ATB, Fozzy, Pakko, Megamarket, Eko, Auchan, Karavan, Perekrestok, Ekspansiya, Velyka Kyshenya.

- Growing focus on modern trade (supermarket chains) as primary distribution sales channel
- Increase share of sales of branded products



3. Investment project update

3.1. Investment project

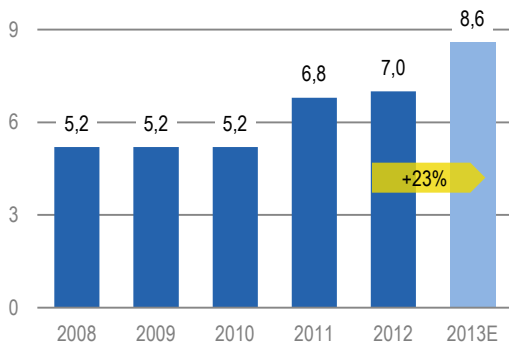
Implementation of projects:

- Avis egg production complex
- Chornobaivske egg production complex
- Expansion of Imperovo Foods egg processing plant

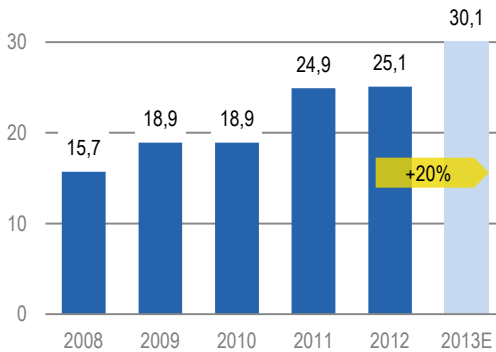
Breakdown of Capital Expenditures, \$ mln

	Before IPO	2010	2011	2012	2013E	2014E	Total
Avis	124	54	59	97,6	27	8,4	370
Chornobaivske	147	14	51	93	47	16	368
Imperovo Foods	-	-	-	115	45	0	160
Total	271	68	110	305,6	119	24,4	898
Expansion CAPEX							
Maintenance CAPEX				16	48	39	103

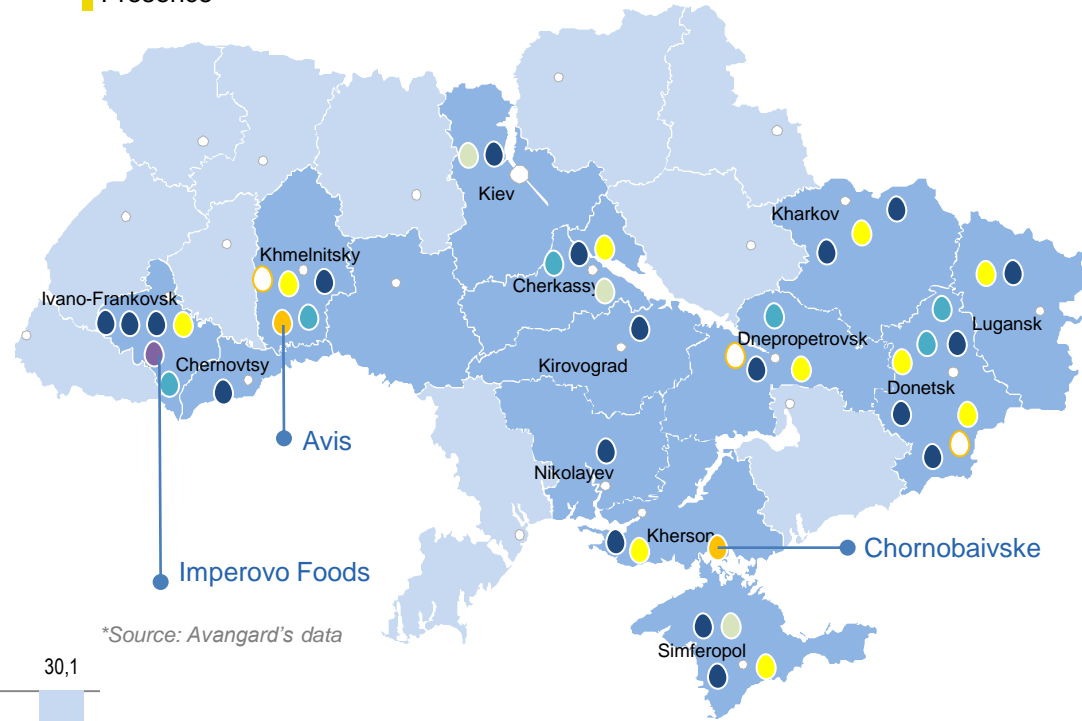
Capacity in shell eggs production, bln pieces



Capacity, mln laying hens



Nationwide Presence



*Source: Avangard's data

- - 19 farms for laying hens;
- - 6 feed mills;
- - Imperovo Foods egg processing plant;
- - 3 second order breeder farms;
- - 10 farms for rearing young laying hens;
- - 2 new projects: Avis and Chornobaivske;
- - 3 long-term storage facilities.

3.2. On-going capacity expansion plan

- Avis and Chornobaivske egg production complexes are under construction with rearing sites and 1st stage of industrial sites fully completed. Upon completion, the projects are expected to increase the annual egg production capacity to **30.1 mln laying hens** and total egg output capacity to **8.6 bln pcs.**
- Equipment from leading European suppliers, namely **Salmet International GmbH**, **Officine Facco&C.Spa**, **Big Dutchman GmbH**, **MOBA B.V.** (the Netherlands), **Andritz Feed&Biofuel A/S** (Denmark), **CimBria Unigrain A/S** (Denmark).

Avis egg production complex

- Construction of new “Avis” poultry farm of **5.2 mln laying hens** and **1,616 mln shell eggs** once fully operational
- Rearing site with total capacity of **2.635 mln hens** is capable of operating
- 2nd stage of industrial site is in progress. Current total capacity of **4.705 mln hens** is capable of operating
- Fodder mill complex is at stage of the final works for installation of equipment and the start-up works, that will be completed by the end of the year
- Biogas unit is on schedule

Chornobaivske egg production complex

- Construction of new “Chornobaivske” poultry farm of **6.0 mln laying hens** and **1,865 mln shell eggs** once fully operational
- Rearing site with total capacity of **2.410 mln hens** is capable of operating
- 2nd stage of industrial site is in progress. Current total capacity of **4.487 mln hens** is capable of operating
- Fodder mill complex is in progress
- Biogas unit is on schedule

Imperovo Foods egg processing plant

- The processing capacity has been increased to **6 mln eggs per day** and since May 2013 “Imperovo Foods” operates at full capacity
- Currently the processing capacity is being gradually modernized to process **10 mln eggs per day.**
- The equipment is supplied by **SANOVO International A/S**

Avis. Industrial site, 2nd stage



Chornobaivske. Rearing Site.



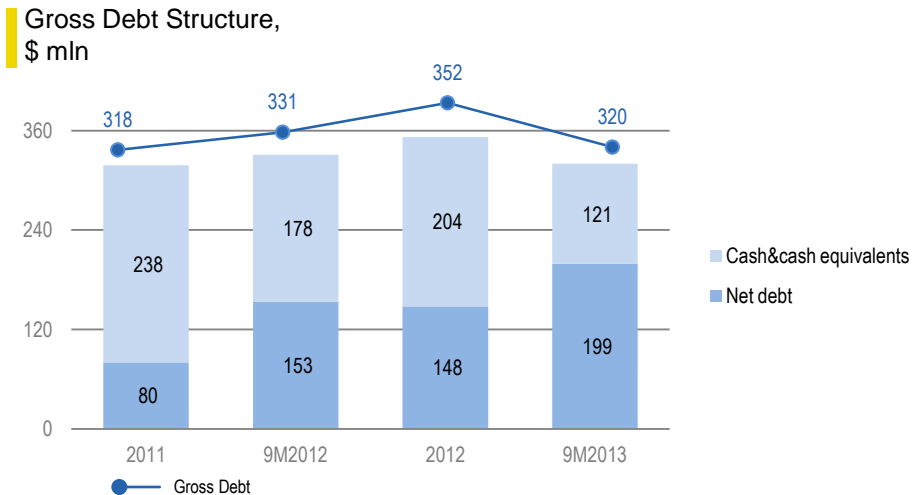
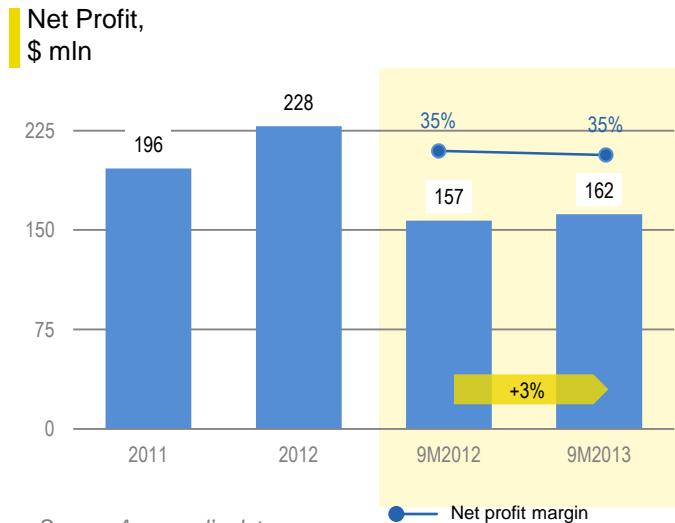
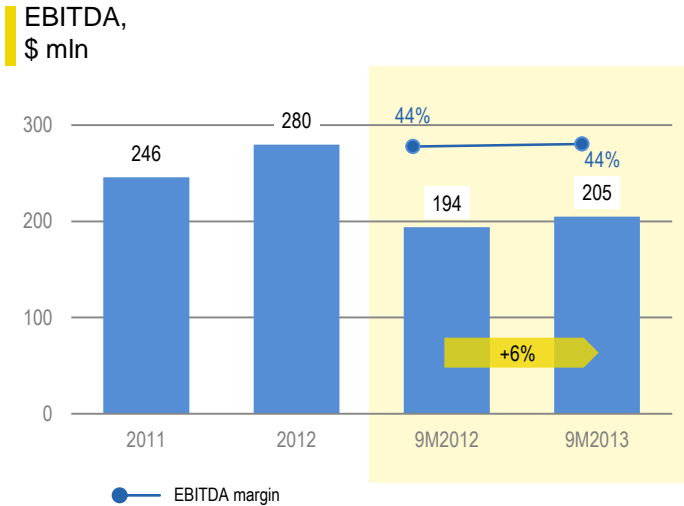
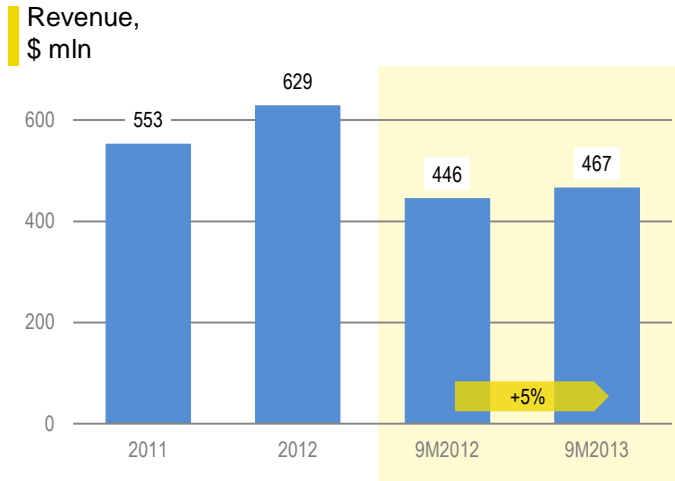
Imperovo Foods egg processing plant.
Cooling and reservation line





4. Financial results

4.1. Key financial highlights



Source: Avangard's data

4.2. Key segment results

SALES REVENUE, \$'000	9M2012	9M2013	change, %
Shell egg	317,672	306,123	-4%
Egg products	67,116	103,942	55%
Other	60,965	56,477	-7%

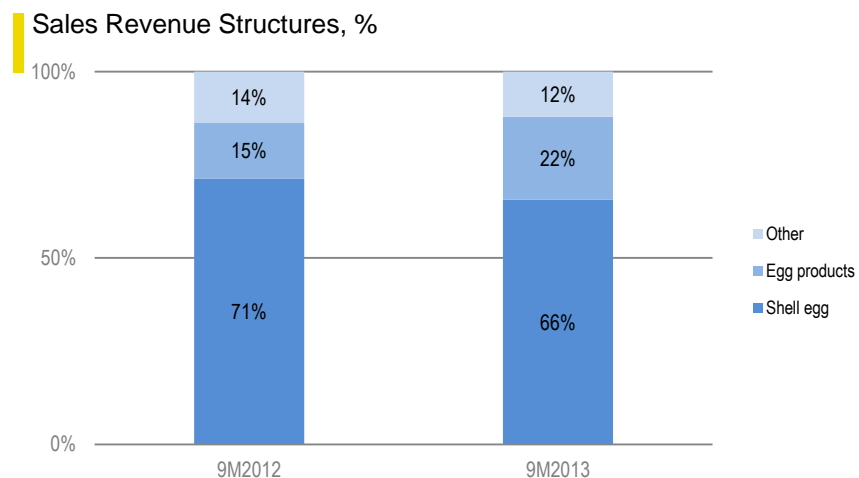
Decrease in Shell Eggs segment revenue was due to:

- increase the volume of shell eggs used for further processing into dry egg products

Increase in Egg Products segment revenue was due to:

- increase in processing capacity to 6 mln egg per day on Imperovo Foods
- increase in average selling price by 2%
- expanding export sales

Revenue share of key segments (eggs and egg products) increased by 7% in 9M2013 and gives 88% of total revenue.



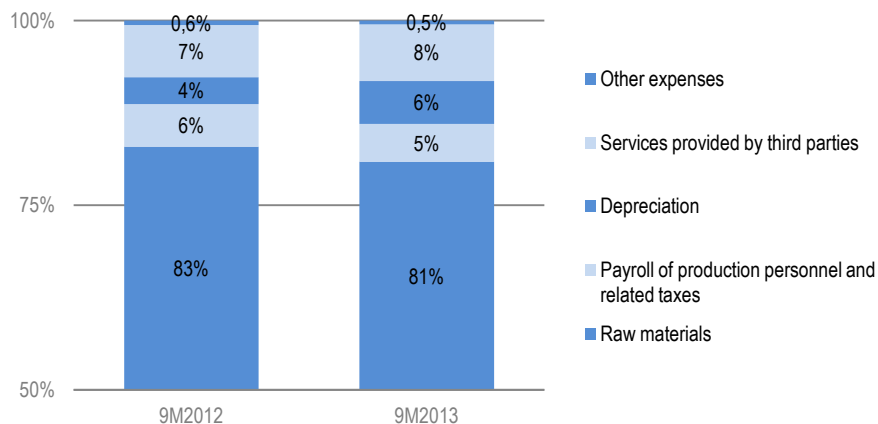
Source: Avangard's data

4.3. Cost structure

Cost of Finished Goods Sold by Elements

\$'000	9M2012	9M2013	change, %
Raw materials	248,370	250,299	1%
Payroll of production personnel and related charges	17,204	15,790	-8%
Depreciation	10,969	18,039	64%
Services provided by third parties	21,111	23,687	12%
Other	1,731	1,553	-10%
Total COGS	299,385	309,368	3%

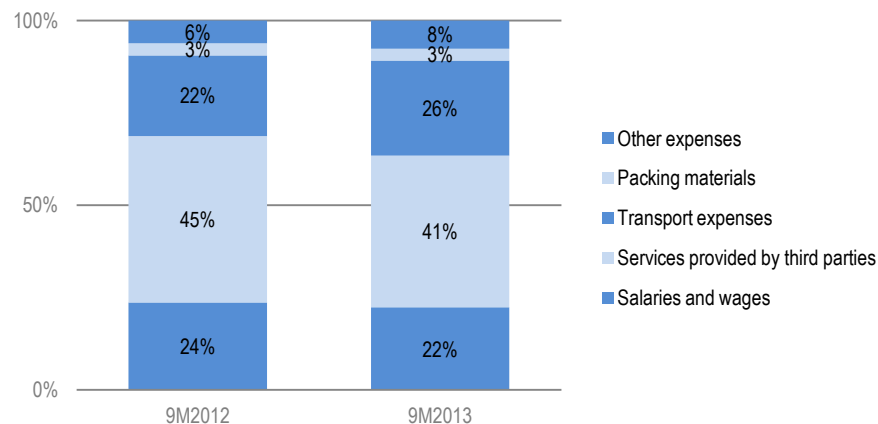
Cost of Finished Goods Sold Structure



General, Administration and Distribution Costs by Elements

\$'000	9M2012	9M2013	change, %
Salaries and wages	7,813	6,917	-11%
Services provided by third parties	14,845	12,729	-14%
Transport expenses	7,182	7,957	11%
Packing materials	1,090	0,990	-9%
Other expenses	2,010	2,349	17%
Total GA&D	32,940	30,942	-6%

General, Administration and Distribution Costs Structure



Source: Avangard's data

4.4. Debt structure

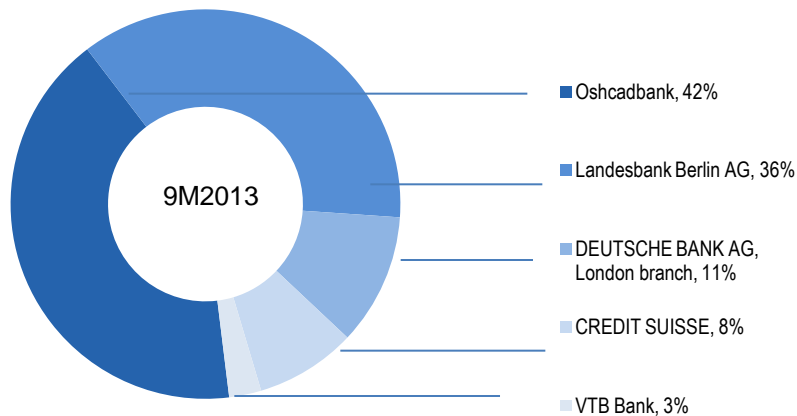
Low financial leverage

- Net debt position of \$199 mln as of 30.09.2013
- Total debt/LTM EBITDA – 1.10x
- Net debt/LTM EBITDA – 0.68x
- Financial leverage coefficient made up 12.9% as at 30.09.2013 vs. 11.2% as at 31.12.2012

Financial leasing constitutes minor part of Avangard's liabilities (ca. 0.6%). The Company leases equipment and cars

Avangardco IPL fully complies with the covenants

Loan Portfolio by Creditor in 9M2013*

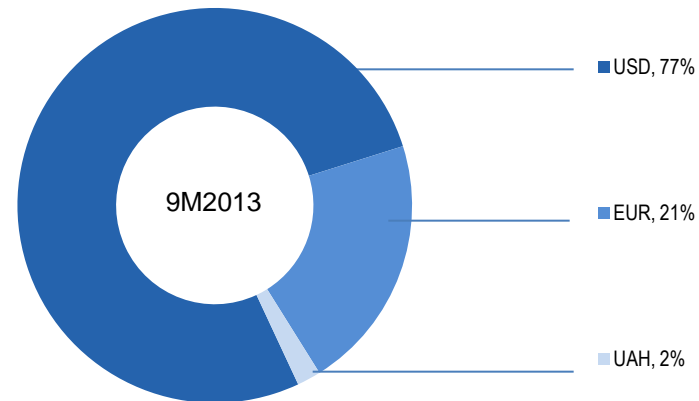


*excl. bonds, leasing and commodity credits / Source: Avangard's data

Debt structure

\$'000	2012	9M2013	% change
Total Debt	352,232	320,120	-9%
Long-term	232,841	270,120	16%
Short-term	119,391	50,000	-58%
Net Debt	147,934	199,139	35%
			covenant
Net debt/LTM EBITDA	0,5	0,7	-
Total debt/LTM EBITDA	1,3	1,1	<=3.0

Loan Portfolio Structure by Currency in 9M2013





Appendix: financial snapshot

Balance sheet

\$'000	2012	9M2013	change, %
NON-CURRENT ASSETS	969,153	1 178,015	22%
Property, plant and equipment	920,072	1 102,964	
Non-current biological assets	46,724	72,216	
Deferred tax assets	1,966	2,466	
Other non-current assets	391	0,369	
CURRENT ASSETS	609,175	555,853	-9%
Inventories	177,886	146,815	
Current biological assets	56,889	50,023	
Trade accounts receivable, net	55,551	60,516	
Prepaid income tax	18	0,058	
Prepayments and other current assets, net	11,966	71,472	
Taxes recoverable and prepaid	102,567	105,988	
Cash and cash equivalents	204,298	120,981	
TOTAL ASSETS	1,578,328	1 733,868	10%
TOTAL EQUITY	1,167,195	1 349,387	16%
NON-CURRENT LIABILITIES	206,150	259,657	26%
CURRENT LIABILITIES	204,983	124,824	-39%
Loans and bonds	151,505	65,647	
Trade Accounts Payable	24,435	16,516	
Other Payables	29,043	42,661	
TOTAL LIABILITIES	411,133	384,481	-6%
NET DEBT at the date	147,934	199,139	35%

Source: Avangard's data

Income statement

\$'000	9M2012	9M2013	change, %
REVENUE	445,753	466,542	5%
Income from revaluation of biological assets at fair value	27,592	29,423	
Cost of sales	-299,385	-309,368	
GROSS PROFIT	173,960	186,597	7%
General administrative expenses	-17,633	-12,417	
Distribution expenses	-15,307	-18,525	
Income from government grants and incentives	0,226	0,214	
Income from special VAT treatment	36,101	32,632	
Other operating income/expenses, net	5,168	-2,225	
OPERATING PROFIT/(LOSS)	182,515	186,276	2%
Financial income	0,555	0,09	
Financial expenses	-26,083	-24,896	
PROFIT BEFORE TAX	156,987	161,470	3%
Income tax expenses	-0,01	0,499	
PROFIT/(LOSS) FOR THE PERIOD	156,977	161,969	3%
EBITDA	193,967	205,025	6%
EBITDA margin	43,5%	43,9%	0,4%

Source: Avangard's data

Cash flow statement

\$'000	9M2012	9M2013
PROFIT BEFOR INCOME TAX	156,987	161,470
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	164,937	175,127
(Increase)/decrease in net working capital	9,572	-25,899
Interest paid	-7,106	-6,407
Income tax paid	-0,039	-0,065
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	167,364	142,756
Purchases of PP&E	-227,684	-181,279
Interest received	0,555	0,09
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES	-227,129	-181,189
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	7,001	-44,078
Effects of translation into presentation currency	-0,122	-0,012
Decrease/ (increase in restricted cash)		
NET INCREASE/(DECREASE) IN CASH	-52,764	-82,511
Cash at the beginning of the year	230,64	203,504
Cash at the end of the period	177,754	120,981

Source: Avangard's data